

SOUTHWEST FISHERIES SCIENCE CENTER
THIRD QUARTER REPORT - FY 2004
For the Period April 1 – June 30

Submitted by: Roger Hewitt, Division Director, Fisheries Resources Division

Title of accomplishment or milestone: International Vessel Buyback Workshop

Current status: Completed.

Background information: Programs to buy back fishing vessels and licenses, removing them from the fishery, represent one of the key alternatives to individual transferable quotas to address issues of overcapacity and protected resources. These programs are also used as a form of disaster, industry, and regional relief. Individual transferable quotas and license limitation programs have received considerable attention, but buy-back programs of vessels, license, or area and use rights have received much less attention. Few studies have examined how vessel or license buyback programs reduce capacity.

Purpose of Activity: The purpose of the proposed workshop was to develop a set of principles through reviewing and assessing a series of case studies of vessel and license buyback programs employed around the world.

Description of accomplishment and significant results: Conclusions can be summarized as:

(1) Q: Stages versus “big bang” (all at once) method?

A: Vessel buyback should perhaps not be done all at once due to budget constraints. However, if the industry pays, and removes capacity in stages, then it’s better to have a big bang so that remaining vessels have the funds to pay.

(2) Q: Who Pays? Public financing or industry-financed from proceeds?

A: The first principle is to identify who benefits and then the beneficiaries should pay. The programs should be designed to preserve proper incentives.

(3) Buyout Price Design. Q: Solicit bids or flat offers to fishers?

A: It is necessary to decide which method mobilizes support for the program. If one solicits bids, how are they ranked and how does one deal with “stink” bids?

(4) Q: Do you buy the permit or the vessel?

A: There is a trade-off with affordability. It is less expensive to buy permits, but it depends on whether or not there are strong spillover effects onto other fisheries. For instance, if a permit is stripped but the vessel can still participate in other fisheries. Just purchasing a permit is less expensive, but doesn’t necessarily remove all of the harvesting capacity. The answer is case dependent.

(5) Q: What happens to vessels? Scrap or not? Restrict their use in another fishery?

A: Vessels can convert to another activity or fish with another gear. There is an impact on the price of a vessel to buy out if “scrapping” is not required. If only buy back the license, then responsibility for scrapped vessel is with the owner, not the

government. If only remove permits or vessels in one fishery, then vessels in other fisheries harvesting the same resource benefit.

(6) Q: Latent effort or active effort/capacity?

A: The order of the buyouts important. If one doesn't eliminate latent effort, then they can start up as buyout improves the conditions of the industry. There are advantages to first purchasing latent effort.

(7) The scope of the program as well as defining the objectives of the program is important.

(8) Early stakeholder involvement is important.

Significance of accomplishment: A number of principles emerged which can be used to better design vessel buyback programs.

Problems: None.

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